

Mrs. Martha Hughey, Assistant Vice President of Reimbursement  
National Healthcare Corporation  
100 East Vine Street  
Murfreesboro, Tennessee 37130

Re: AC# 3-PKN-M8 – National Healthcare - Parklane

Dear Mrs. Hughey:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period July 1, 1998 through December 31, 1998. That report was used to set the rate covering the contract periods beginning July 1, 1998.

We are recommending that the Department of Health and Human Services certify an accounts payable for amounts underpaid as a result of the rate changes shown on Exhibit A. You will be notified of settlement terms by that agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Robert M. Kerr

Mrs. Martha Hughey, Assistant Vice President of Reimbursement  
National Healthcare Corporation  
100 East Vine Street  
Murfreesboro, Tennessee 37130

Re: Draft Report – AC# 3-PKN-M8 – National Healthcare - Parklane

Dear Mrs. Hughey:

The accompanying draft report has been prepared by our office. Please review the adjustments as presented.

If you have any questions concerning this report and would like a formal exit conference with the auditors, please write to Ms. Cathy A. Crumpler, CPA, regarding the establishment of a meeting date. Your correspondence should include the above referenced control number. Your request for a conference must be made within ten (10) calendar days of your receipt of this report, and the conference must be held within twenty (20) calendar days of your receipt of this report. Any additional documentation in support of allowable cost must be received by our office no later than twenty (20) calendar days after your receipt of this report.

If we do not hear from you within ten (10) calendar days of your receipt of this report, we will assume you do not want an exit conference. In this case, I will reissue this report to you in final form and you will have thirty (30) calendar days in which to file a formal appeal if you so desire.

Yours very truly,

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Robert M. Kerr

Ms. Brenda L. Hyleman, Director  
Division of Home Health and Nursing Home Services  
Department of Health and Human Services  
Post Office Box 8206  
Columbia, South Carolina 29202-8206

Re: Draft Report – AC# 3-PKN-M8 – National Healthcare - Parklane

Dear Ms. Hyleman:

Please review the adjustments contained in the accompanying draft report. If you have any comments or disagreements with the adjustments and resulting computations, please contact Ms. Cathy A. Crumpler, CPA, within ten (10) calendar days.

Use of the above referenced control number is requested on any subsequent correspondence pertaining to this report.

If you do not have any comments, it will be assumed you are in agreement with the report and only those concerns of the Provider, if any, will be considered prior to the issuance of the final report.

Yours very truly,

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/sag

cc: Mr. Jeff Saxon  
Mr. Robert M. Kerr



**NATIONAL HEALTHCARE – PARKLANE**

**COLUMBIA, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING JULY 1, 1998  
AC# 3-PKN-M8**

**REPORT ON CONTRACT**

**FOR**

**PURCHASE OF NURSING CARE SERVICES**

**WITH**

**STATE OF SOUTH CAROLINA**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

January 14, 2000

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with National Healthcare - Parklane for the contract periods beginning July 1, 1998, and for the six month cost report period ended December 31, 1998, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by National Healthcare - Parklane, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summaries of Costs and Total Patient Days, and Cost of Capital Reimbursement Analyses sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and National Healthcare - Parklane dated as of July 1, 1998 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.



Department of Health and Human Services  
State of South Carolina  
January 14, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA  
State Auditor

**NATIONAL HEALTHCARE - PARKLANE**

Computation of Rate Change  
For the Contract Periods  
Beginning July 1, 1998  
AC# 3-PKN-M8

	07/01/98 <u>09/30/98</u>	10/01/98 <u>11/30/98</u>	12/01/98 <u>12/31/98</u>	01/01/99 <u>09/30/99</u>	Beginning <u>10/01/99</u>
Adjusted reimbursement rate	\$104.82	\$109.22	\$109.97	\$ 95.33	\$106.96
Interim reimbursement rate (1)	<u>104.09</u>	<u>108.52</u>	<u>109.27</u>	<u>94.67</u>	<u>106.33</u>
Increase in reimbursement rate	\$ <u>____.73</u>	\$ <u>____.70</u>	\$ <u>____.70</u>	\$ <u>____.66</u>	\$ <u>____.63</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999

**NATIONAL HEALTHCARE - PARKLANE**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period July 1, 1998 Through September 30, 1998  
AC# 3-PKN-M8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 61.05	\$48.28	
Dietary		11.29	10.90	
Laundry/Housekeeping/Maint.		<u>9.25</u>	<u>8.93</u>	
Subtotal	\$ <u>-</u>	81.59	68.11	\$ 68.11
Administration & Med. Records	\$ <u>-</u>	<u>13.74</u>	<u>11.13</u>	<u>11.13</u>
Subtotal		95.33	<u>\$79.24</u>	79.24
<u>Costs Not Subject to Standards:</u>				
Utilities		4.87		4.87
Special Services		.33		.33
Medical Supplies & Oxygen		3.36		3.36
Taxes and Insurance		3.21		3.21
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$107.10</u>		91.01
Inflation Factor (N/A)				-
Cost of Capital				13.31
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-on				<u>.50</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$104.82</u>

**NATIONAL HEALTHCARE - PARKLANE**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 1998 Through November 30, 1998  
AC# 3-PKN-M8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 61.05	\$50.66	
Dietary		11.29	11.42	
Laundry/Housekeeping/Maint.		<u>9.25</u>	<u>9.32</u>	
Subtotal	\$ <u>-</u>	81.59	71.40	\$ 71.40
Administration & Med. Records	\$ <u>-</u>	<u>13.74</u>	<u>12.56</u>	<u>12.56</u>
Subtotal		95.33	<u>\$83.96</u>	83.96
<u>Costs Not Subject to Standards:</u>				
Utilities		4.87		4.87
Special Services		.33		.33
Medical Supplies & Oxygen		3.36		3.36
Taxes and Insurance		3.21		3.21
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$107.10</u>		95.73
Inflation Factor (N/A)				-
Cost of Capital				13.24
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-On				<u>.25</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$109.22</u>

**NATIONAL HEALTHCARE - PARKLANE**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period December 1, 1998 Through December 31, 1998  
AC# 3-PKN-M8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 61.05	\$50.66	
Dietary		11.29	11.42	
Laundry/Housekeeping/Maint.		<u>9.25</u>	<u>9.32</u>	
Subtotal	\$ <u>-</u>	81.59	71.40	\$ 71.40
Administration & Med. Records	\$ <u>-</u>	<u>13.74</u>	<u>12.56</u>	<u>12.56</u>
Subtotal		95.33	<u>\$83.96</u>	83.96
<u>Costs Not Subject to Standards:</u>				
Utilities		4.87		4.87
Special Services		.33		.33
Medical Supplies & Oxygen		3.36		3.36
Taxes and Insurance		3.21		3.21
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$107.10</u>		95.73
Inflation Factor (N/A)				-
Cost of Capital				13.24
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage & CNA Add-Ons				<u>1.00</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$109.97</u>

**NATIONAL HEALTHCARE - PARKLANE**  
Computation of Adjusted Reimbursement Rate  
For the Contract Periods January 1, 1999 Through September 30, 1999  
AC# 3-PKN-M8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 53.59	\$41.87	
Dietary		9.91	9.44	
Laundry/Housekeeping/Maint.		<u>8.12</u>	<u>7.70</u>	
Subtotal	\$ <u>-</u>	71.62	59.01	\$59.01
Administration & Med. Records	\$ <u>-</u>	<u>12.06</u>	<u>10.38</u>	<u>10.38</u>
Subtotal		83.68	<u>\$69.39</u>	69.39
<u>Costs Not Subject to Standards:</u>				
Utilities		4.28		4.28
Special Services		.32		.32
Medical Supplies & Oxygen		3.03		3.03
Taxes and Insurance		2.82		2.82
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$ 94.13</u>		79.84
Inflation Factor (3.60%)				2.87
Cost of Capital				11.62
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage & CNA Add-Ons				<u>1.00</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$95.33</u>

**NATIONAL HEALTHCARE - PARKLANE**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period Beginning October 1, 1999  
AC# 3-PKN-M8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 53.59	\$50.88	
Dietary		9.91	9.69	
Laundry/Housekeeping/Maint.		<u>8.12</u>	<u>8.24</u>	
Subtotal	\$ <u>-</u>	71.62	68.81	\$68.81
Administration & Med. Records	\$ <u>-</u>	<u>12.06</u>	<u>11.56</u>	<u>11.56</u>
Subtotal		83.68	<u>\$80.37</u>	80.37
<u>Costs Not Subject to Standards:</u>				
Utilities		4.28		4.28
Special Services		.32		.32
Medical Supplies & Oxygen		3.03		3.03
Taxes and Insurance		2.82		2.82
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$ 94.13</u>		90.82
Inflation Factor (3.00%)				2.72
Cost of Capital				11.44
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
CNA Add-On				.75
Nurse Aide Staffing Add-On				<u>1.23</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$106.96</u>

**NATIONAL HEALTHCARE - PARKLANE**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended December 31, 1998  
For the Contract Period July 1, 1998 Through September 30, 1998  
AC# 3-PKN-M8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$1,064,497	\$ 360 (9) 109 (9)	\$ -	\$1,064,966
Dietary	196,764	153 (9)	-	196,917
Laundry	37,394	-	-	37,394
Housekeeping	69,251	-	-	69,251
Maintenance	54,636	62 (9)	-	54,698
Administration & Medical Records	218,740	14,128 (2) 6,806 (9) 48 (9)	-	239,722
Utilities	85,002	-	-	85,002
Special Services	5,669	38 (9)	-	5,707
Medical Supplies & Oxygen	58,549	-	-	58,549
Taxes and Insurance	23,903	32,124 (3)	-	56,027
Legal Fees	-	-	-	-
Cost of Capital	251,751	7,171 (4) 11,266 (5)	8,037 (1) 14,128 (2) 12,461 (9) 3,426 (4)	232,136
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	2,066,156	72,265	38,052	2,100,369
Ancillary	775	-	-	775



**NATIONAL HEALTHCARE - PARKLANE**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended December 31, 1998  
For the Contract Period July 1, 1998 Through September 30, 1998  
AC# 3-PKN-M8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Non-Allowable	636,263	8,037 (1) 4,885 (9)	32,124 (3) 3,745 (4) <u>11,266 (5)</u>	602,050
	<u>                    </u>	<u>                    </u>		<u>                    </u>
Total Operating Expenses	<u>\$2,703,194</u>	<u>\$85,187</u>	<u>\$85,187</u>	<u>\$2,703,194</u>
Total Patient Days	<u>17,445</u>	<u>-</u>	<u>-</u>	<u>17,445</u>
Total Beds	<u>120</u>			

**NATIONAL HEALTHCARE - PARKLANE**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended December 31, 1998  
For the Contract Periods October 1, 1998 Through December 31, 1998  
AC# 3-PKN-M8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$1,064,497	\$ 360 (9) 109 (9)	\$ -	\$1,064,966
Dietary	196,764	153 (9)	-	196,917
Laundry	37,394	-	-	37,394
Housekeeping	69,251	-	-	69,251
Maintenance	54,636	62 (9)	-	54,698
Administration & Medical Records	218,740	14,128 (2) 6,806 (9) 48 (9)	-	239,722
Utilities	85,002	-	-	85,002
Special Services	5,669	38 (9)	-	5,707
Medical Supplies & Oxygen	58,549	-	-	58,549
Taxes and Insurance	23,903	32,124 (3)	-	56,027
Legal Fees	-	-	-	-
Cost of Capital	251,003	7,171 (4) 10,783 (6)	8,037 (1) 14,128 (2) 12,461 (9) <u>3,426 (4)</u>	230,905
Subtotal	2,065,408	71,782	38,052	2,099,138
Ancillary	775	-	-	775

**NATIONAL HEALTHCARE - PARKLANE**

Summary of Costs and Total Patient Days

For the Cost Report Period Ended December 31, 1998

For the Contract Periods October 1, 1998 through December 31, 1998

AC# 3-PKN-M8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Non Allowable	637,011	8,037 (1) 4,885 (9)	32,124 (3) 3,745 (4) <u>10,783 (6)</u>	603,281
	<u>                    </u>	<u>                    </u>		<u>                    </u>
Total Operating Expenses	<u>\$2,703,194</u>	<u>\$84,704</u>	<u>\$84,704</u>	<u>\$2,703,194</u>
Total Patient Days	<u>17,445</u>	<u>-</u>	<u>-</u>	<u>17,445</u>
Total Beds	<u>120</u>			

**NATIONAL HEALTHCARE - PARKLANE**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended December 31, 1998  
For the Contract Periods January 1, 1999 through September 30, 1999  
AC# 3-PKN-M8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,064,497	\$ 360 (9) 109 (9)	\$ -	\$1,064,966
Dietary	196,764	153 (9)	-	196,917
Laundry	37,394	-	-	37,394
Housekeeping	69,251	-	-	69,251
Maintenance	54,636	62 (9)	-	54,698
Administration & Medical Records	218,740	14,128 (2) 6,806 (9) 48 (9)	-	239,722
Utilities	85,002	-	-	85,002
Special Services	6,409	38 (9)	-	6,447
Medical Services & Oxygen	60,253	-	-	60,253
Taxes and Insurance	23,903	32,124 (3)	-	56,027
Legal Fees	-	-	-	-
Cost of Capital	251,003	7,171 (4) 10,783 (7)	8,037 (1) 14,128 (2) 12,461 (9) 3,426 (4)	230,905
Subtotal	2,067,852	71,782	38,052	2,101,582
Ancillary	775	-	-	775

**NATIONAL HEALTHCARE - PARKLANE**

Summary of Costs and Total Patient Days

For the Cost Report Period Ended December 31, 1998

For the Contract Periods January 1, 1999 through September 30, 1999

AC# 3-PKN-M8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Non-Allowable	634,567	8,037 (1) 4,885 (9)	32,124 (3) 3,745 (4) <u>10,783 (7)</u>	600,837
	<u>                    </u>	<u>                    </u>		<u>                    </u>
Total Operating Expenses	<u>\$2,703,194</u>	<u>\$84,704</u>	<u>\$84,704</u>	<u>\$2,703,194</u>
Total Patient Days	<u>19,872</u>	<u>-</u>	<u>-</u>	<u>19,872</u>
Total Beds	<u>120</u>			

**NATIONAL HEALTHCARE - PARKLANE**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended December 31, 1998  
For the Contract Period Beginning October 1, 1999  
AC# 3-PKN-M8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,064,497	\$ 360 (9) 109 (9)	\$ -	\$1,064,966
Dietary	196,764	153 (9)	-	196,917
Laundry	37,394	-	-	37,394
Housekeeping	69,251	-	-	69,251
Maintenance	54,636	62 (9)	-	54,698
Administration & Medical Records	218,740	14,128 (2) 6,806 (9) 48 (9)	-	239,722
Utilities	85,002	-	-	85,002
Special Services	6,409	38 (9)	-	6,447
Medical Services & Oxygen	60,253	-	-	60,253
Taxes and Insurance	23,903	32,124 (3)	-	56,027
Legal Fees	-	-	-	-
Cost of Capital	248,138	7,171 (4) 10,140 (8)	8,037 (1) 14,128 (2) 12,461 (9) 3,426 (4)	227,397
Subtotal	2,064,987	71,139	38,052	2,098,074
Ancillary	775	-	-	775

**NATIONAL HEALTHCARE - PARKLANE**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended December 31, 1998  
For the Contract Period Beginning October 1, 1999  
AC# 3-PKN-M8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Non-Allowable	637,432	8,037 (1) 4,885 (9)	32,124 (3) 3,745 (4) <u>10,140 (8)</u>	604,345
	<u>                    </u>	<u>                    </u>		<u>                    </u>
Total Operating Expenses	<u>\$2,703,194</u>	<u>\$84,061</u>	<u>\$84,061</u>	<u>\$2,703,194</u>
Total Patient Days	<u>19,872</u>	<u>-</u>	<u>-</u>	<u>19,872</u>
Total Beds	<u>120</u>			

**NATIONAL HEALTHCARE - PARKLANE**  
Adjustment Report  
Cost Report Period Ended December 31, 1998  
AC# 3-PKN-M8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable	\$ 8,037	
	Other Equity	533,458	
	Accumulated Depreciation	21,213	
	Fixed Assets		\$554,671
	Cost of Capital		8,037
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Administration	14,128	
	Cost of Capital		14,128
	To reclassify expense to the proper cost center HIM-15-1, Sections 2102.3 and 2304 DH&HS Expense Crosswalk		
3	Property Tax Expense	32,124	
	Nonallowable		32,124
	To adjust Property Tax HIM-15-1, Section 2300		
4	Amortization Expense	7,171	
	Depreciation Expense		3,426
	Nonallowable		3,745
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
5	Cost of Capital	11,266	
	Nonallowable		11,266
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate period 7/1/98 - 9/30/98)		



**NATIONAL HEALTHCARE - PARKLANE**  
Adjustment Report  
Cost Report Period Ended December 31, 1998  
AC# 3-PKN-M8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Cost of Capital Nonallowable	10,783	10,783
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate periods 10/1/98 - 12/31/98)		
7	Cost of Capital Nonallowable	10,783	10,783
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate periods 1/1/99 - 9/30/99)		
8	Cost of Capital Nonallowable	10,140	10,140
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate period Beginning 10/1/99)		

**NATIONAL HEALTHCARE - PARKLANE**  
Adjustment Report  
Cost Report Period Ended December 31, 1998  
AC# 3-PKN-M8

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Nursing	360	
	Restorative	109	
	Dietary	153	
	Maintenance	62	
	Administration	6,806	
	Medical Records	48	
	Therapy	38	
	Nonallowable	4,885	
	Cost of Capital		12,461
	To adjust Home Office expense		
	State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	<u>\$671,564</u>	<u>\$671,564</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**NATIONAL HEALTHCARE - PARKLANE**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended December 31, 1998  
For the Contract Period July 1, 1998 Through September 30, 1998  
AC# 3-PKN-M8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1144</u>
Deemed Asset Value (Per Bed)	33,022
Number of Beds	<u>120</u>
Deemed Asset Value	3,962,640
Improvements Since 1981	-
Accumulated Depreciation at 12/31/98	<u>(343,021)</u>
Deemed Depreciated Value	3,619,619
Market Rate of Return	<u>.070</u>
Total Annual Return	253,373
Number of Days in Period	<u>184/365</u>
Adjusted Annual Return	127,728
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	127,728
Depreciation Expense	112,365
Amortization Expense	2,465
Capital Related Income Offsets	(10,422)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	232,136
Total Patient Days (Actual)	<u>17,445</u>
Cost of Capital Per Diem	\$ <u><u>13.31</u></u>

**NATIONAL HEALTHCARE - PARKLANE**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended December 31, 1998  
 For the Contract Periods October 1, 1998 Through December 31, 1998  
 AC# 3-PKN-M8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1814</u>
Deemed Asset Value (Per Bed)	34,069
Number of Beds	<u>120</u>
Deemed Asset Value	4,088,280
Improvements Since 1981	-
Accumulated Depreciation at 12/31/98	<u>(343,021)</u>
Deemed Depreciated Value	3,745,259
Market Rate of Return	<u>.067</u>
Total Annual Return	250,932
Number of Days in Period	<u>184/365</u>
Adjusted Annual Return	126,497
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	126,497
Depreciation Expense	112,365
Amortization Expense	2,465
Capital Related Income Offsets	(10,422)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	230,905
Total Patient Days (Actual)	<u>17,445</u>
Cost of Capital Per Diem	\$ <u>13.24</u>

**NATIONAL HEALTHCARE - PARKLANE**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended December 31, 1998  
 For the Contract Periods January 1, 1999 Through September 30, 1999  
 AC# 3-PKN-M8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1814</u>
Deemed Asset Value (Per Bed)	34,069
Number of Beds	<u>120</u>
Deemed Asset Value	4,088,280
Improvements Since 1981	-
Accumulated Depreciation at 12/31/98	<u>(343,021)</u>
Deemed Depreciated Value	3,745,259
Market Rate of Return	<u>.067</u>
Total Annual Return	250,932
Number of Days in Period	<u>184/365</u>
Adjusted Annual Return	126,497
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	126,497
Depreciation Expense	112,365
Amortization Expense	2,465
Capital Related Income Offsets	(10,422)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	230,905
Total Patient Days (Minimum 90% Occupancy at 7 <sup>th</sup> Month)	<u>19,872</u>
Cost of Capital Per Diem	\$ <u><u>11.62</u></u>

**NATIONAL HEALTHCARE - PARKLANE**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended December 31, 1998  
For the Contract Period Beginning October 1, 1999  
AC# 3-PKN-M8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.2493</u>
Deemed Asset Value (Per Bed)	35,130
Number of Beds	<u>120</u>
Deemed Asset Value	4,215,600
Improvements Since 1981	-
Accumulated Depreciation at 12/31/98	<u>(343,021)</u>
Deemed Depreciated Value	3,872,579
Market Rate of Return	<u>.063</u>
Total Annual Return	243,972
Number of Days in Period	<u>184/365</u>
Adjusted Annual Return	122,989
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	122,989
Depreciation Expense	112,365
Amortization Expense	2,465
Capital Related Income Offsets	(10,422)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	227,397
Total Patient Days (Minimum 90% Occupancy at 7 <sup>th</sup> Month)	<u>19,872</u>
Cost of Capital Per Diem	\$ <u><u>11.44</u></u>